

**Agenda Of The Special Meeting – Oversight Board for the Successor Agency to the
Redevelopment Agency of the City of National City
Council Chambers
Civic Center
1243 National City Boulevard
National City, California
Wednesday – October 24, 2012 – 3:00 P.M.**

Open To The Public

Please complete a request to speak form prior to the commencement of the meeting and submit it to the Oversight Board Secretary.

It is the intention of your National City Oversight Board to be receptive to your concerns in this community. Your participation in local government will assure a responsible and efficient City of National City. We invite you to bring to the attention of the Board Chairman any matter that you desire the National City Oversight Board to consider. We thank you for your presence and wish you to know that we appreciate your involvement.

ROLL CALL

Pledge of Allegiance to the Flag by Chairman Ron Morrison

Public Oral Communications (Three-Minute Time Limit)

NOTE: Pursuant to state law, items requiring National City Oversight Board action must be brought back on a subsequent National City Oversight Board Agenda unless they are of a demonstrated emergency or urgent nature.

Upon request, this agenda can be made available in appropriate alternative formats to persons with a disability in compliance with the Americans with Disabilities Act. Please contact the City Clerk's Office at (619) 336-4228 to request a disability-related modification or accommodation. Notification 24-hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

**It Is Requested That All Cell Phones
And Pagers Be Turned Off During The Meetings**

OVERSIGHT BOARD ACTIONS

1. Approval of the Minutes of the Oversight Board to the Successor Agency to the Redevelopment Agency of the City of National City meeting on October 17, 2012.
2. Close Public Comment session Pursuant to Health and Safety Code Section 34179.6(b) regarding the results of the Low and Moderate Income Housing Fund Review conducted Pursuant to Health and Safety Code Section 34179.5 previously opened at the meeting convened on October 17, 2012.
3. Resolution of the Oversight Board to the Successor Agency to the Community Development Commission as the National City Redevelopment approving the Due Diligence Review of the Low and Moderate Income Housing Fund, as required by the Health & Safety Code Section 34179.5, and authorizing retention of funds by the Successor Agency pursuant to Health & Safety Code Section 34179.6(c)

REPORTS

4. Possible update/response to the Meet and Confer request
5. Possible update/response to the DDR AUP

ADJOURNMENT

Adjourn to the next regular adjourned meeting of the Oversight Board to the Successor Agency to the Community Development Commission as the National City Redevelopment Agency scheduled on November 21, 2012 at 3:00 p.m. in Council Chambers, Civic Center.

**MINUTES OF THE MEETING OF THE OVERSIGHT BOARD TO THE
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY OF NATIONAL CITY**

October 17, 2012

This Meeting of the Oversight Board to the Successor Agency to the Redevelopment Agency of the City of National City was called to order at 3:04 pm by Chairman Ron Morrison.

ROLL CALL

Board Members Present: Aguirre, Carson, Desrochers, Donaldson, Hentschke, Morrison, Perri.

PLEDGE OF ALLEGIANCE by Chairman Ron Morrison

PRESENTATIONS: None

OVERSIGHT BOARD ACTIONS

1. **SUBJECT:** Approval of the Minutes of the Oversight Board to the Successor Agency to the Redevelopment Agency of the City of National City Regular Meeting on August 15, 2012.

RECOMMENDATION: Approve the minutes as presented.

ACTION: Motion by Desrochers, seconded by Aguirre to approve the minutes of the Oversight Board meeting held August 15, 2012. Motion carried by unanimous vote.

PUBLIC HEARING

2. **SUBJECT:** Public comment session Pursuant to Health and Safety Code Section 34179.6(b) regarding the results of the Low and Moderate Income Housing Fund Review conducted Pursuant to Health and Safety Code Section 34179.5.

RECOMMENDATION: Open Public Comment Session

ACTION: Motion by Hentschke, seconded by Desrochers to open a Public Comment Session and leave open until the beginning of the next adjourned meeting. Motion carried by unanimous vote.

REPORTS

3. **SUBJECT:** Report on State Department of Finance's response to ROPS III and Meet and Confer request

ADJOURNMENT

The meeting was adjourned to the next Special Meeting of the Oversight Board to the Successor Agency to the Community Development Commission as the National City Redevelopment Agency to be held on October 24, 2012 at 3:00 p.m., Council Chambers – National City Civic Center, California.

The meeting adjourned at 4:13 p.m.

Clerk

Secretary

The foregoing minutes were approved at the Special Meeting of October 24, 2012.

Oversight Board Chairman

**OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO
THE COMMUNITY DEVELOPMENT COMMISSION
AS THE NATIONAL CITY REDEVELOPMENT AGENCY
AGENDA STATEMENT**

MEETING DATE: October 24, 2012

AGENDA ITEM NO. 2

ITEM TITLE:

Close the Public comment session Pursuant to Health and Safety Code Section 34179.6(b) regarding the results of the Low and Moderate Income Housing Fund Review conducted Pursuant to Health and Safety Code Section 34179.5 previously opened at the meeting convened on October 17, 2012.

PREPARED BY: Brad Raulston
PHONE: 336-4256

DEPARTMENT: Successor Agency

APPROVED BY:



EXPLANATION:

Please see attached public notice.

FINANCIAL STATEMENT:

ACCOUNT NO.

APPROVED: _____ **Finance**

APPROVED: _____ **MIS**

ENVIRONMENTAL REVIEW:

ORDINANCE: **INTRODUCTION:** ☐ **FINAL ADOPTION:** ☐

STAFF RECOMMENDATION:

BOARD / COMMISSION RECOMMENDATION:

ATTACHMENTS:

1. Public Notice

NOTICE OF PUBLIC COMMENT SESSION

OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION AS THE NATIONAL CITY REDEVELOPMENT AGENCY

PLEASE TAKE NOTICE that pursuant to Health and Safety Code Section 34179.6(b), the Oversight Board to the Successor Agency to the Community Development Commission as the National City Redevelopment Agency will hold a public comment session on **Wednesday, October 17, 2012, at 3:00 pm, in the City Hall Council Chambers at the City of National City, 1243 National City Blvd, National City, CA 91950** on the due diligence review results of the Successor Agency Low and Moderate Income Housing Fund. Specifically, any interested members of the public may comment on the amount of cash and cash equivalents and other assets in the Low and Moderate Income Housing Fund determined by the due diligence review to be available for allocation to taxing entities, prior to the Oversight Board's review, approval and transmittal to the Department of Finance and County Auditor-Controller the results of the review of the Successor Agency Low and Moderate Income Housing Fund no less than five business days after this Public Comment Session.

As required by Health and Safety Code Section 34179.5 the Oversight Board to the Successor Agency to the Community Development Commission as the National City Redevelopment Agency retained a licensed accountant to conduct a due diligence review of the Successor Agency's Low and Moderate Income Housing Fund. The purpose of this due diligence review was to account for the Low and Moderate Income Housing Fund, including cash, cash equivalents, physical assets, and land and determine what portion of the fund or funds is legally committed to low and moderate income housing and what portion is unrestricted and available for allocation to other taxing entities. The licensed accountant's due diligence review of the Low and Moderate Income Housing Fund is complete and the purpose of this public comment session is to allow any interested persons to comment on or question the determinations in the due diligence review prior to the Oversight Board's review and approval of the due diligence review and the net balances available for allocation to other taxing entities.

A copy of the due diligence review of the Low and Moderate Income Housing Fund may be obtained located on the City of National City's website at www.nationalcityca.gov or by calling 619-336-4250.

**THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO
THE COMMUNITY DEVELOPMENT COMMISSION
AS THE NATIONAL CITY REDEVELOPMENT AGENCY
AGENDA STATEMENT**

MEETING DATE: October 24, 2012

AGENDA ITEM NO. 3

ITEM TITLE: Resolution of the Oversight Board to the Successor Agency to the Community Development Commission as the National City Redevelopment approving the Due Diligence Review of the Low and Moderate Income Housing Fund, as required by the Health & Safety Code Section 34179.5, and authorizing retention of funds by the Successor Agency pursuant to Health & Safety Code Section 34179.6(c)

PREPARED BY: Brad Raulston, Executive Director **DEPARTMENT:** Successor Agency

PHONE: X4256

APPROVED BY: 

EXPLANATION:

The Due Diligence Review (DDR) of the Low and Moderate Income Housing Fund (LMIHF) is required by the Health & Safety Code Section 34179.5, and authorizing retention of funds by the Successor Agency pursuant to Health & Safety Code Section 34179.6(c). The DDR shows that there is no residual balance in the LMIHF; therefore, no remittance to the taxing entities is necessary.

FINANCIAL STATEMENT:

ACCOUNT NO.

APPROVED: _____ **Finance**

APPROVED: _____ **MIS**

ENVIRONMENTAL REVIEW:

N/A

ORDINANCE: **INTRODUCTION:** ☐ **FINAL ADOPTION:** ☐

STAFF RECOMMENDATION:

Adopt resolution

BOARD / COMMISSION RECOMMENDATION:

N/A

ATTACHMENTS:

1. Draft Resolution
2. Independent Accountants Report

RESOLUTION NO. 2012 - 17

RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY
TO THE COMMUNITY DEVELOPMENT COMMISSION AS
THE NATIONAL CITY REDEVELOPMENT AGENCY APPROVING
THE DUE DILIGENCE REVIEW OF LOW AND MODERATE INCOME HOUSING
FUND, AS REQUIRED BY HEALTH AND SAFETY CODE SECTION 34179.5,
AND AUTHORIZING RETENTION OF FUNDS BY THE SUCCESSOR AGENCY
PURSUANT TO HEALTH & SAFETY CODE SECTION 34179.6(c)

WHEREAS, the Oversight Board ("Oversight Board") for the Successor Agency ("Successor Agency") to the Community Development Commission as the National City Redevelopment Agency has been established to take certain actions as required by the Health and Safety Code with respect to winding down the affairs of the National City Redevelopment Agency; and

WHEREAS, Health and Safety Code section 34179.5 mandates that every Successor Agency employ a licensed accountant to complete a "due diligence review" ("Due Diligence Review") of the Low Moderate Income Housing Fund to determine the un-obligated balances available for transfer to taxing entities and that the results of that Due Diligence Review be submitted to the California Department of Finance ("DOF") and other specified entities; and

WHEREAS, Health and Safety code section 34179.6 requires that the Oversight Board approve and transmit the result of the aforementioned Due Diligence Review to the DOF and other specified entities; and

WHEREAS, Health and Safety Code section 34179.6 further requires that the Oversight Board convene a "public comment session" at least five business days before the Oversight Board holds an approval vote on the Due Diligence Review; and

WHEREAS, the Successor Agency retained a licensed accountant, Mayer Hoffman McCann, P.C. (which was approved by the San Diego County Auditor and Controller); the licensed accountant conducted and completed the Due Diligence Review; and the results were subsequently transmitted to the DOF and the required entities by the Successor Agency; and

WHEREAS, the Oversight Board convened a duly noticed "public comment session" regarding the Due Diligence Review in accordance with Health and Safety Code section 34179.6 on October 17, 2012, at which time the public was afforded the opportunity to provide comment to the Oversight Board; the public comment session was closed with no comment being offered either orally or in writing on October 24, 2012; and

WHEREAS, the Successor Agency reserves its right to amend the Due Diligence Review as may be necessary to capture all the obligations the Successor Agency may

have in the performance of its duties, subject to any obligation of the Oversight Board to approve such amendments; and

WHEREAS, pursuant to the requirements of Health and Safety Code section 34179.6, the Successor Agency submits the attached Due Diligence Review (Exhibit 1) for consideration and approval by the Oversight Board; and

WHEREAS, on May 30, 2012 the Oversight Board approved Resolution No. 2012-09, approving the July 1, 2012 through December 31, 2012 Recognized Obligation Payment Schedule ("ROPS 2"); and

WHEREAS, on August 15, 2012 the Oversight Board approved Resolution No. 2012-15, approving the January 1, 2013 through June 30, 2013 Recognized Obligation Payment Schedule ("ROPS 3" and, collectively with ROPS 2, the "ROPS"); and

WHEREAS, on October 12, 2012 the Successor Agency, in response to DOF rejecting a number of items on the approved ROPS 3, requested a meet and confer pursuant to Health and Safety Code Section 34177(m) as to all but two items (items designated as line items 91 and 31 on ROPS 3 were not appealed) that were rejected by DOF on ROPS 3; and

WHEREAS, the Due Diligence Review calculated the amount of current unrestricted balances necessary for retention in order to meet enforceable obligations for the current fiscal year (2012-2013) as required by Health and Safety Code section 34179.5(c)(5)(E) and such information is included in Exhibit D to the Due Diligence Review. The amount identified on Exhibit D to the Due Diligence Review indicates that there are net obligations listed on the ROPS (even disregarding those that have been rejected by DOF) that exceed the actual and expected funding of the Successor Agency for the 2012-2013 fiscal year; and

WHEREAS, page 6 of the Due Diligence Review concluded that "all current balances . . . are needed to be retained to pay enforceable obligations as they become due through June 30, 2013"; and

WHEREAS, Health and Safety Code Section 34179.6(c) empowers the Oversight Board (subject to DOF approval) to authorize the Successor Agency to retain current balances identified in 34176.9(c)(5)(E) provided that the Oversight Board identifies the amount, source and purpose of the funds being retained; and

WHEREAS, the amount of cash balances that the Oversight Board authorizes the Successor Agency to retain is \$8,418,206 as identified on Exhibits A and B of the Due Diligence Review; and

WHEREAS, the source of the \$8,418,206 is the asset balance held in the Low Moderate Income Housing Fund as of June 30, 2012 as identified on Exhibit B to the Due Diligence Review; and

WHEREAS, Exhibits B and D of the Due Diligence Report identifies FY 2012-2013 enforceable obligations that exceed projected available funding by \$15,873,200; thus, even if the June 30, 2012 asset balance of \$8,418,206 is retained, the current fiscal year enforceable obligations exceed expected available funding; and

WHEREAS, the purpose of retaining the current fund balance of \$8,418,206 is to permit the Successor Agency to meet its enforceable obligations as summarized on Exhibit D to the Due Diligence Review and as further detailed with specificity in the ROPS, which retained balances are needed even if the items rejected by the DOF on ROPS 3 are not included as obligations of the Successor Agency;

NOW, THEREFORE, THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION AS THE NATIONAL CITY REDEVELOPEMENT AGENCY RESOLVES AS FOLLOWS:

Section 1. The foregoing Recitals are incorporated into this Resolution by this reference.

Section 2. Pursuant to Health and Safety Code section 34179.6, the Oversight Board hereby approves Due Diligence Review attached hereto as Exhibit 1 and fully incorporated by this reference, except as has specifically been modified or rejected by the Oversight Board. The Due Diligence Review is that "due diligence review" referred to Health and Safety Code sections 34179.5 and 34179.6 and shall be interpreted and applied in all respects in accordance with such sections and the California Redevelopment Law ("CRL"), to the fullest extent permitted by law; however, the Due Diligence Review shall only be applicable to and binding on the Successor Agency to the extent that AB X1 26 (and as amended by AB 1484) is applicable to the Successor Agency.

Section 3. The Executive Director and the Finance Director of the Successor Agency (and their designees) are hereby authorized and directed to evaluate and execute necessary changes to the Due Diligence Review (including changes to formatting as may be required by DOF) as may be appropriate and/or as required by AB X1 26 and/or AB 1484 whether pursuant to its terms, by court order, or as otherwise required by law.

Section 4. The Executive Director of the Successor Agency is further authorized and directed to notify and forward to the County Auditor and Controller, Department of Finance, the State Controller's Office, and any other entity required by law to obtain a copy of this Resolution and the Due Diligence Review as may be required by AB 26 and/or AB 1484.

Section 5. Pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board authorizes the retention of \$8,418,206. The source of these funds are the June 30, 2012 asset balances in the Successor Agency's Low Moderate Income Housing Fund as further identified and described in Exhibit B of the Due Diligence Review. The purposes for which these funds are to be retained are found by the Oversight Board to be for the Successor Agency to meet its enforceable obligations in the amount of \$15,873,200 as described on Exhibit D of the Due Diligence Report. Even with retention of the current fund balances, the total enforceable obligations listed on the FY 2012-2013 ROPS exceeds projected available revenue. The Oversight Board specifically finds that retained balances are needed even if the items rejected by the DOF on ROPS 3 are not included as obligations of the Successor Agency.

Section 6. The Oversight Board, in furtherance of its fiduciary duties to the taxing entities and the holders of enforceable obligations, hereby finds that the retention of the funds identified for the purposes described in Section 5 of this Resolution is in the best interest of the taxing entities and the holders of the enforceable obligations listed in the ROPS because retaining the identified funds to satisfy these obligations is necessary to satisfy enforceable obligations of the Successor Agency. Further, the Oversight Board finds that retaining these funds, in the long run, is in the interest of the taxing entities because absent these funds being retained, the obligations in the ROPS may be unable to be met, potentially exposing the Successor Agency to protracted dispute with holders of enforceable obligations, with the potential to result in more costly delay in winding down the operations of the Successor Agency.

Section 7. The Oversight Board has also determined (to the extent it is required to do so) that approval of the Due Diligence Report is not a "project" for purposes of CEQA, as that term is defined by Guidelines section 15378, because the Due Diligence Review is an organizational or administrative activity that will not result in a direct or indirect physical change in the environment, per section 15378(b)(5) of the Guidelines.

Section 8. This Resolution shall take effect upon the date of adoption.

Section 9. The Oversight Board Secretary and/or Successor Agency Secretary shall certify to the adoption of this Resolution.

The foregoing resolution was duly and regularly adopted at a regular meeting of the Oversight Board for the Successor Agency to Redevelopment Agency for the City of National City held on the 24th day of October, 2012, by the following vote:

Ayes:
Noes:
Absent:
Abstain:

Ron Morrison
Oversight Board Chair

ATTEST:

Brad Raulston, Executive Director
Secretary to the Oversight Board

Approved as to form:

Bethelwel Wilson
Cummins & White, LLP
Oversight Board Counsel



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Oversight Board of the Successor Agency of the former Redevelopment Agency
 of the City of National City
 1243 National City Blvd
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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the Successor Agency of the former Redevelopment Agency of the City of National City (Successor Agency), the California Department of Finance, the California State Controller's Office, and the County Auditor-Controller's Office, solely to assist you in complying with the requirement for a due diligence review of the low and moderate income housing fund of the former Redevelopment Agency and the Successor Agency pursuant to Section 34179.5(c) of the California Health and Safety Code. Management of the Successor Agency is responsible for the Successor Agency's compliance with the California Health and Safety Code. This engagement to apply agreed-upon procedures was performed in accordance with the attestation standards established by the *American Institute of Public Accountants* for such engagements. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the specified items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Our procedures and results were as follows:

1. We obtained from the Successor Agency a listing of all assets (at their recorded book values) that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. We agreed the amounts on this listing to account balances established in the accounting records of the Successor Agency.

Results: On February 1, 2012, \$17,102,218 of low and moderate income housing fund assets were transferred to the Successor Agency. See additional asset detail on EXHIBIT B.

2. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:
 - a. We obtained a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012.

Results: The State Controller's Office has not completed the review of transfers. The low and moderate income housing fund of the redevelopment agency transferred \$1,008,485 to the redevelopment agency debt service fund to service the debt for the 1999 TAB and 2005 TAB approved by the redevelopment commission. The low and moderate income housing fund of the redevelopment agency transferred \$1,025,182 to the Community Development

Commission of the City of National City housing fund to service the debt for the 2011 TAB which was approved by the redevelopment commission. Total transfers were \$2,033,667 for the period January 1, 2011 through January 31, 2012.

- b. We obtained a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012.

Results: The Successor Agency transferred net amount of \$6,545,720 to the City of National City for the period February 1, 2012 through June 30, 2012. Transfers included accounts receivable of \$39,142 pertaining to activities prior to February 1, 2012, real property of \$360,000, and loans receivable of \$7,767,650, including deferred revenue associated with the loans of \$(1,621,072).

- c. For each transfer, we obtained the legal document that formed the basis for the enforceable obligation that required any transfer.

Results: For the transfer of \$39,142 made on February 1, 2012, there is no legal document forming the basis for the transfer. However, the transfer was made to reimburse the redevelopment agency of cash received after February 1, 2012. The transfers of real property and loans were allowed and were approved by the redevelopment commission and the Successor Agency board.

- 3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:

- a. We obtained a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012.

Results: There were no transfers for the period from January 1, 2011 through January 31, 2012 to any other public agency or private party.

- b. We obtained a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012.

Results: There were no transfers for the period from February 1, 2012 through June 30, 2012 to any other public agency or private party.

- c. For each transfer, we obtained the legal document that formed the basis for the enforceable obligation that required any transfer.

Results: This step is not applicable.

- 4. We obtained from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the California State Controller's Office's procedures for the fiscal year ended June 30, 2010, the fiscal year ended June 30, 2011, the period July 1, 2011 through January 31, 2012, and the period February 1, 2012 through

June 30, 2012. For each period presented, we determined that the total of revenues, expenditures, and transfers accounted fully for the changes in equity from the previous fiscal period. We compared amounts in the schedule relevant to the fiscal year ending June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.

Results: There were no exceptions as a result of our procedures. The schedule is presented at EXHIBIT B.

5. We obtained from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012. We also agreed the assets listed to recorded balances reflected in the accounting records of the Successor Agency.

Results: The listing of assets is included in EXHIBIT B. The only asset listed is cash. We obtained the Citywide bank reconciliation at June 30, 2012 and verified the cash balance in the low and moderate income housing fund agreed to the reconciled bank balance.

6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for specific purposes and performed the following procedures:

- a. Unspent bond proceeds:

- i. We obtained the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.).
- ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
- iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances.

Results: There are no low and moderate income housing unspent bond proceeds.

- b. Grant proceeds and program income that are restricted by third parties:

- i. We obtained the Successor Agency's computation of the restricted balances.
- ii. We traced individual components of this computation to related account balances in the accounting records, or to other supporting documentation.
- iii. We obtained from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances.

Results: There are no low and moderate income housing grant proceeds or program income.

- c. Other assets considered to be legally restricted:

- i. We obtained the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
- ii. We traced individual components of this computation to related account balances in the accounting records, or to other supporting documentation.
- iii. We obtained from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances.

Results: There are no other assets considered to be legally restricted.

- d. We attached the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, we indicated in the report the period of time for which the restrictions are in effect.

Results: This procedure is not applicable.

7. We obtained from the Successor Agency a listing of assets as of June 30, 2012 that are not liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertained if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.
 - a. If the assets listed at 7(a) were listed at purchase cost, we traced the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and noted any differences.
 - b. For any differences noted in 7(b), we inspected evidence of disposal of the asset and ascertained that the proceeds were deposited into the Successor Agency trust fund.
 - c. If the assets listed at 7(a) were listed at recently estimated market value, we inspected the evidence (if any) supporting the value and noted the methodology used.

Results: There are no assets that are not liquid or otherwise available for distribution.

8. We performed the following procedures:

- a. For assets balance needed to be retained to satisfy enforceable obligations, we obtained from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and performed the following procedures:
 - i. We compared all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
 - ii. We compared all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
 - iii. We compared the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.

- iv. We attached as an exhibit to the report the listing obtained from the Successor Agency. We also identified in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

Results: There are no restricted resources held by the Successor Agency at June 30, 2012.

- b. For future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, we obtained from the Successor Agency a schedule of approved enforceable obligations that included a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and performed the following procedures:
 - i. We compared the enforceable obligations to those that were approved by the California Department of Finance.
 - ii. We compared the forecasted annual spending requirements to the legal document supporting each enforceable obligation by obtaining from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
 - iii. For the forecasted annual revenues, we obtained the assumptions for the forecasted annual revenues and disclosed the major assumptions associated with the projections.

Results: It is not practical to perform this procedure for low and moderate income housing obligations without performing an analysis of the entire Successor Agency. This procedure will be performed with the due diligence report that is due in December 2012.

- c. For projected property tax revenues and other general purpose revenues that were received by the Successor Agency are insufficient to pay bond debt service payments, we obtained from the Successor Agency a schedule demonstrating this insufficiency and applied the following procedures to the information reflected in that schedule:
 - i. We compared the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
 - ii. We obtained the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.
 - iii. We obtained the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.

Results: This procedure is not applicable.

- d. If procedures, A, B, or C were performed, we calculated the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures:

- i. We combined the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
- ii. We reduced the amount of total resources available by the amount forecasted for the annual spending requirements.

Results: This procedure is not applicable.

9. For cash balances as of June 30, 2012 that need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, we obtained a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013.

Results: EXHIBIT D demonstrates that all current balances cash balances are needed to be retained to pay enforceable obligations as they become due through June 30, 2013. Because it is not possible to split the RPTTF revenue between housing and non-housing, EXHIBIT D includes enforceable obligations for both housing and non-housing. We reviewed the correspondence received from the County of San Diego and agreed it to the projected property tax from RPTTF for ROPS 2 and ROPS 3 without exception. For housing obligations, we compared the total obligation for the period January 1, 2013 to June 30, 2013 to ROPS 3 without exception. The amounts listed for the period July 1, 2012 to December 31, 2012 agrees to the total reported on ROPS 2. We compared the forecasted annual spending requirements to the legal document supporting each enforceable obligation. We compared the total successor agency obligations to the total obligations on ROPS 2 and ROPS 3 and noted that the amounts shown in the exhibit do not exceed the amounts reported on ROPS 2 and ROPS 3.

10. We have included a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities.

Results: See EXHIBIT A.

11. We obtained a representation letter from management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report.

Results: No exceptions noted as a result of this procedure.

This letter is intended solely for the information and use of the Oversight Board of the Successor Agency of the former Redevelopment Agency of the City of National City, the Successor Agency of the former Redevelopment Agency of the City of National City, the California Department of Finance, the California State Controller's Office, and the County of San Diego's Auditor-Controller's Office and is not intended to be and should not be used by anyone other than those specified parties.

Mayor Hoffman McLain P.L.

Irvine, California
October 16, 2012

SUCCESSOR AGENCY OF THE NATIONAL CITY REDEVELOPMENT AGENCY
Summary of Balances Available for Allocation of Affected Taxing Entities
June 30, 2012

SUMMARY OF BALANCES AVAILABLE FOR ALLOCATION TO AFFECTED TAXING ENTITIES

Total amount of low mod housing assets held by the successor agency as of June 30, 2012	\$ 8,418,206	EXHIBIT B
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments.	-	
Less assets that are not cash or cash equivalents (i.e. physical assets)	-	
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations)	-	
Less balances needed to satisfy ROPS for the current fiscal year	(15,873,200)	EXHIBIT D
Less balances needed to satisfy ROPS for future fiscal years ⁽¹⁾	-	
Add the amount of any assets transferred to the city for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist	-	
Amount to be remitted to county for disbursement to taxing entities	<u>\$ (7,454,994)</u>	

Note that separate computations are required for the Low and Moderate Income Housing Fund held by the Successor Agency and for all other funds held by the Successor Agency.

NOTES: For each line shown above, an exhibit should be attached showing the composition of the summarized amount.

If the review finds that there are insufficient funds available to provide the full amount due, the cause of the insufficiency should be demonstrated in a separate schedule.

(1) This balance will be calculated as part of the overall redevelopment agency due diligence review due in December 2012 because it is not practical to separately identify low and moderate income specific RPTTF funding.

SUCCESSOR AGENCY OF THE FORMER NATIONAL CITY REDEVELOPMENT AGENCY
Summary of Financial Transactions - Low/Mod
6/30/2012

	Redevelopment Agency 12 Months Ended 6/30/2010	Redevelopment Agency 12 Months Ended 6/30/2011	Redevelopment Agency 7 Months Ended 1/31/2012	Successor Agency 5 Months Ended 6/30/2012
Assets:				
Cash	\$ 7,598,805	9,586,932	8,928,640	8,413,601
Accounts receivable	-	30,565	39,142	-
Property tax receivable	49,691	37,191	-	-
Accrued interest receivable	12,544	10,043	6,786	4,605
Loans receivable	12,757,954	7,767,650	7,767,650	-
Land held for resale	360,000	360,000	360,000	-
Total Assets	20,778,994	17,792,381	17,102,218	8,418,206
Liabilities:				
Accounts payable	12,346	62,992	77,829	528,038
Other liabilities	2,790	3,670	1,621,072	-
Deposits payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Deferred revenue	7,889,265	1,621,072	-	-
Total Liabilities	7,904,401	1,687,734	1,698,901	528,038
Equity	12,874,593	16,104,647	15,403,317	7,890,168
Total Liabilities + Equity	\$ 20,778,994	17,792,381	17,102,218	8,418,206
Total Revenues:	\$ 3,060,735	3,045,036	1,603,314	17,666
Total Expenditures/Expenses:	670,912	384,247	270,977	985,095
Total Transfers:	(506,364)	(861,864)	(2,033,667)	(6,545,720)
Net change in equity	1,883,459	1,798,925	(701,330)	(7,513,149)
Beginning Equity:	10,991,134	12,874,593	16,104,647	15,403,317
Equity Adjustment	-	1,431,129 ^A	-	-
Ending Equity:	\$ 12,874,593	\$ 16,104,647	\$ 15,403,317	\$ 7,890,168

A There was a prior period adjustment in 2011 to adjust notes receivable for notes previously not recorded and to adjust the balances for allowance for doubtful accounts.

EXHIBIT C

SUCCESSOR AGENCY OF THE FORMER NATIONAL CITY REDEVELOPMENT AGENCY
Transfers to the Community Development Commission of City of National City
6/30/2012

<u>Asset/Liability Transferred</u>	<u>Transfers from 2/1/2012- 6/30/2012</u>	<u>Approved by CA DOF</u>	<u>Reason for Transfer</u>
Real property	\$ 360,000.00	Yes	For ongoing housing activities administered by the City.
Loans receivable	7,767,650.00	Yes	For ongoing housing activities administered by the City.
Accounts receivable	39,142.00	No ⁽¹⁾	For ongoing housing activities administered by the City.
Deferred Revenue	<u>(1,621,072.00)</u>	n/a	For ongoing housing activities administered by the City.
Total Transfers	<u>\$ 6,545,720.00</u>		

⁽¹⁾ *Not listed on the Housing Asset Listing submitted to the California Department of Finance.*

n/a - not applicable

SUCCESSOR AGENCY OF THE NATIONAL CITY REDEVELOPMENT AGENCY
Projected Funding and Obligations

	RPTTF Distribution Date	ROPS 2 July - Dec 2012 1-Jun-12	ROPS 3 Jan - June 2013 2-Jan-13
SA Funding Sources:			
Non-Housing:			
Projected Property Tax from RPTTF (1)		5,493,592	6,160,399
Less: Est Admin Fees and pass-throughs (1)		(917,520)	(809,858)
Net Projected RPTTF available		4,576,072	5,350,541
Add'l RORF (non-housing) cash on hand at beginning of period		478,678	(12,126,973)
Revenue from interest and rents		50,000	50,000
Total Non-Housing		5,104,750	(6,726,432)
Housing:			
LMIHF Revenue (Investment earnings)		10,000	-
Total Housing		10,000	-
Total SA Funding Sources		5,114,750	(6,726,432)
Less Obligations:			
Non-housing obligations: (2)			
True-up payment - July 12, 2012 (3)		(4,272,833)	-
Various non-housing capital projects		(769,747)	(50,000)
Bond debt service		(5,982,523)	(1,940,070)
CYAC vs CDC		(1,000,000)	(1,000,000)
Sewer Fund Loan Repayment (last pmt 6/2013)		-	(420,000)
Loan Agreement with JPFA (police facility)		(320,000)	-
Admin Cost		(459,220)	(249,000)
Legal services		(628,965)	(335,600)
General Property Management		-	(30,000)
CDC Property Maintenance		(127,068)	(37,710)
Other Professional Services		(53,799)	(189,388)
Total Non-Housing Obligations		(13,614,155)	(4,251,768)
Housing Obligations:			
WI-TOD housing Project		(3,627,568)	(4,895,000)
Total Housing Obligations		(3,627,568)	(4,895,000)
Total SA Obligations		(17,241,723)	(9,146,768)
Net of obligations (over)/under available funding		(12,126,973)	(15,873,200)

Notes

1. Property tax, admin fees and pass through payments for ROPS 2 are the actual amounts reported by the County of San Diego at the time of the June 1, 2012 RPTTF distribution. The ROPS 3 amounts are based on estimates provided by the County on Oct. 1, 2012.
2. Non-housing Obligations were not reviewed as a part of this due diligence review. However, amounts reported on this schedule do not exceed amounts reported on ROPS 2 and 3.
3. Not a line item in ROPS 2, but shown here because it was an expense that occurred during the ROPS 2 period that affects the assets and cash of the SA.